

Health, Safety, Insurance Presentation

John Solheim, President CEO, St. Peter's Hospital

January 8, 2010

Healthcare is a key ingredient the economics viability of a community and in my opinion it is at times under appreciated. Often hospitals are the largest employer in the community. In Helena SPH is the largest non government employer with 1055 employees and a payroll of approximately \$60 million.

SPH has been one of the key growth areas in Helena in the past years. In the last ten years SPH has grown tremendously. As a result SPH's payroll has doubled and it has added 160 jobs.. SPH has also invested approximately \$100 million in construction projects and equipment in the community. This investment has benefited many businesses and construction companies which also help spur additional jobs for Helena and around the State. As healthcare grows so do other companies that supply services to the organizations.

I would like to address two elements of a strong health care system: the role of Medicaid and medical malpractice liability.

St. Peter's is not the largest provider of services to Medicaid beneficiaries in our state – but it is a significant part of our business – accounting for 6.5 percent of our total revenue. The amount Medicaid pays providers is a big deal for us...and, in this budget environment, potentially a really big deal.

As you've heard throughout these budget briefings, Medicaid is the core human services program the state provides. It is the safety net for thousands of Montanans who would have no health care coverage without it.

Historically, Medicaid has not reimbursed providers the full cost of treating its beneficiaries.

As a result, hospitals have to recover these unpaid Medicaid costs by collecting more revenue from other payers – notably, private insurers. And that contributes to higher commercial insurance rates.

Nearly a decade ago, we in the hospital community came forward with a proposal to contribute to paying the cost of the Medicaid program – as a way to avoid this cost shifting and help stabilize insurance rates.

This has been a highly successful program. With these voluntary contributions – the so-called hospital utilization fee – the major Medicaid hospitals are paid about 92 percent of their costs. Without it, they are paid less than 70 percent.

We recognize that these are tough budget times – and as much as I'd like to urge the Legislature to increase Medicaid reimbursement rates to help us keep up with our increased costs – I know that's not a realistic scenario.

But I do have two recommendations for you:

1. Maintain Medicaid provider reimbursement rates at their 2009 levels.
2. At all costs, make no changes to the hospital utilization fee and nursing home bed tax programs.

I would like to address a second important area: medical malpractice liability and its impact on health care costs.

Much has been written about the impact of defensive medicine and an ineffective system for resolving medical liability concerns. We in Montana have taken many of the steps needed to keep medical malpractice insurance costs under control and to preserve access to physician services.

But more can be done. The Montana Hospital Association and the Montana Medical Association are working on a package of measures that would address some additional areas for improvement. I encourage you to put these on your to-do list.

Medical liability insurance costs and defensive medicine practices do drive up health care costs – and that makes it harder for Montana's businesses to afford health insurance. These bills give us a way to address some of these underlying issues.

Thank you.

SPH Facts

- Located in Helena
- Independent community hospital governed by a local board of directors
- 501-C-3 non-profit corporation
- Serves the healthcare needs of more than 80,000 people
- 123 beds
- 1,053 Employees, 120 Active Physicians
- Average Wage \$30.55 per hour; average annual salary of \$63,545
- Average Tenure 9.2 years
- \$240 Million Gross Revenue
- \$7.4 Million in bad debt/charity care provided
- \$20 Million in community benefit
- Partners with Carroll College and University of Montana-Helena to prepare nursing and other students for health care careers
- Payroll of \$59.6 Million - Supplies \$13.3 Million - Drugs \$19 Million
- St. Peter's makes a \$180 Million economic contribution to the Helena community
- More than 12,000 people annually attend health and wellness fairs, classes, events and lectures

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